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New Joint-Venture Brings U.S. Beef Cattle Ranch to Russia

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Agriculture in the News

Approved By:

Morgan Haas

Prepared By:

Mikhail Maksimenko

Report Highlights:

The newly created joint-venture Stevenson-Sputnik LLC recently transplanted a 1,400 head ranch, valued around \$7 million, from Montana to Voronezh oblast in the southwest of Russia. Stevenson-Sputnik Ranch will sell pedigree Angus cattle to commercial beef producers. Russian federal and regional governments support the project through the national program “Development of Beef Cattle Breeding in 2010-2012” in an effort to make Russia more self-sufficient in beef.

Background

Supported by state subsidies via Russia's development programs, the imported live cattle market is stable at 40-50,000 head annually, or \$150 million. In 2009, the United States became the top supplier and will maintain competitive positioning as Russian breeders are becoming more aware of the superiority of U.S. genetics following trials with European, Canadian, and Australian bloodlines in earlier years. The largest hurdle to realizing further American trade in this area will remain logistics, as boats are too few and airplanes are often too costly. In combination with state subsidies, a lucrative meat market constrained by limited market access at the retail and processing levels will continue to stimulate development of domestic production.

Stevenson-Sputnik LLC

In 2010, U.S.-Russia agribusiness cooperation in the sphere of beef breeding took another leap forward with the creation of the joint-venture Stevenson-Sputnik LLC. The joint-venture brings together Stevenson Angus Ranch of Montana and Sputnik LLC of Leningrad oblast. The Stevenson-Sputnik Ranch is located in Voronezh oblast (southwest of Russia) and is the new home for 1,400 head of beef cattle sourced from Montana. Russian federal and regional governments support the project through the national program for "Development of Beef Cattle Breeding in 2010-2012" in an effort to make Russia more self-sufficient in beef. The Russian government is currently considering the extension of the program through 2020.

The American and Russian partners have been doing business since meeting at the National Western Stock Show in Denver, Colorado, in 2006. Voronezh oblast's regional government became involved after the Head of the Livestock Department traveled to the United States on a beef breeding tour in December 2009. Both trips were funded through USDA's Market Access Program.

Since entering negotiations with the Voronezh oblast government in February 2010 until the last shipment of cattle arrived this December, Stevenson-Sputnik has invested \$19 million to purchase the parent stock, build roads, provide electricity and water supply systems, and construct the ranch. The value of the cattle is roughly \$7 million. The investment is financed by a RUR450 million (\$15 million) loan from Russian Savings Bank (SberBank) and includes a subsidized interest rate from the federal and regional budgets. Currently, the ranch is being registered with the Ministry of Agriculture as a pedigree beef breeder and paperwork is being finalized for the long-term lease of 5,300 hectares.

The majority of the 1,400-head herd is Angus except for a small portion of Hereford cows. Shipping the herd included a combination of flights to Moscow and a vessel to St. Petersburg. The owners expect 600 bull and 600 heifer calves in January-February 2011. In addition to immediately becoming a high-quality breeding stock supplier for commercial beef cattle farms in Russia, the ranch will begin semen collection and embryo flushing later in the season. Negotiations are ongoing between Stevenson-Sputnik and the Voronezh Ministry of Agriculture on the possibility of developing of a 15,000-head commercial beef cattle herd.

In addition to cows, Stevenson-Sputnik has brought Russia cowboys and horses. A rotation of Montana ranchers, working cowboys, and veterinarians will teach Russian herdsman how to care for the

livestock. The American partner himself will remain in Russia until the cattle have adapted to the local conditions.

Stevenson-Sputnik Ranch instantaneously makes Voronezh a cornerstone in Russian beef development and one of the two or three Russian breeders supplying world-class breeding stock.

Sputnik LLC

Sputnik LLC started its beef cattle business in 2005. It has farms in Leningrad oblast and in Adygea Republic (south of Russia). Originally, the herd was of Hungarian and Australian origin. Later the cows were inseminated with high-quality U.S. semen. Sputnik LLC became a member of the American Angus Association in 2007. In 2008, the farm was registered with the Russian Ministry of Agriculture as pedigree breeding farm of Angus cattle. Beginning in 2008, Sputnik started to transfer embryos imported from Stevenson.

Stevenson Angus Ranch

Stevenson Angus Ranch was founded in the 1930s and is home to America's longest established annual bull sale. It is also the charter member of the Montana Angus Association. Their genetics are marketed worldwide. Darrell Stevenson has visited Russia on several occasions for agricultural exhibitions and conferences, including the agricultural expo "Golden Autumn" and the recently established annual conference "Technologies of Beef Cattle Breeding".